



Department of Justice

Office of the United States Attorney Western District of Wisconsin

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MADISON AREA TAX PREPARER CHARGED IN MORTGAGE FRAUD SCHEME

Madison, Wis. - Stephen P. Sinnott, Acting United States Attorney for the Western District of Wisconsin, announced the unsealing of a two-count indictment charging Gail L. Mendez, 44, of Sun Prairie, Wis., with bank fraud involving mortgage applications and making false statements in connection with a loan application. The indictment, returned under seal on September 30, 2009, was unsealed following the defendant's arrest on December 17, 2009, in Laredo, Texas. If convicted, defendant Mendez faces a maximum penalty on each count of thirty years' imprisonment and a \$1,000,000 fine.

The indictment charges that Mendez engaged in a mortgage fraud scheme in 2006 and 2007, while working as a tax preparer doing business as Mendez Connections in the Madison area.

Park Bank, a federally-insured financial institution in Madison, provides real estate mortgage loans to qualified borrowers. In 2006 and 2007, Park Bank had a mortgage program that allowed borrowers to apply for a mortgage using an Individual Tax Identification Number (ITIN) instead of a Social Security Number. An ITIN is a nine-digit tax processing number issued by the Internal Revenue Service (IRS) to aliens who are required to have a U. S. taxpayer identification number but are not eligible to obtain a Social Security Number. Under Park Bank's ITIN mortgage program, a borrower applying for an ITIN loan was required to provide the bank with copies of the borrower's income tax returns for the prior two tax years.

Count One of the indictment charges Mendez with bank fraud. The count alleges that Mendez, along with other co-schemers not named in this indictment, engaged in a scheme to defraud Park Bank. The count alleges that in connection with numerous ITIN mortgage loan applications Mendez and her co-schemers knowingly fabricated and presented to Park Bank bogus tax returns that falsely inflated the borrowers' income and had not been filed with the IRS. It is specifically alleged that

Mendez and her co-schemers submitted to Park Bank false returns in connection with nineteen loans totaling more than \$3,300,000.

Count Two charges Mendez with making false statements in connection with her own loan application at AmTrust Bank. The count alleges that in November 2007 Mendez applied to AmTrust Bank for a \$349,000 loan to finance her purchase of her residence from her then-husband. It is alleged that in support of that application Mendez submitted to AmTrust Bank a 2005 income tax return in her name showing total income of \$169,237 and a 2006 income tax return in her name showing total income of \$170,825. The indictment alleges that the 2005 return actually filed with the IRS by Mendez reported total income of only \$29,402, and that the 2006 return actually filed with the IRS by Mendez reported total income of only \$40,868.

Following the arrest of Mendez, the United States moved for her detention. The defendant will be transported in custody from Texas to Madison for arraignment on the charges and a detention hearing. The District Court in Madison has not yet set a date for the arraignment.

The charges against Mendez are the result of an investigation conducted by the Federal Bureau of Investigation and the Internal Revenue Service, Criminal Investigation. The prosecution of this case is being handled by Acting U.S. Attorney Stephen P. Sinnott.

You are advised that a charge is merely an accusation and that a defendant is presumed innocent until and unless proven guilty.

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